



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
CALDWELL COUNTY  
SHERIFF'S SETTLEMENT - 1999 TAXES**

**September 12, 2000**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CALDWELL SHERIFF'S SETTLEMENT - 1999 TAXES**

**September 12, 2000**

#### **Audit Opinion:**

We have issued an unqualified opinion in our independent auditor's report. Our report contains no comments and recommendations.

#### **Financial Statements:**

For the 1999 tax year the Caldwell County Sheriff collected taxes totaling \$2,414,989. The financial statement reflects immaterial amounts due to districts and a refund due the Sheriff from various special districts in the amount of \$175. The Sheriff's office earned commissions of \$89,628 for the collection of these taxes. The Sheriff's office did an excellent job in the collection and distribution of these taxes.

#### **Notes To Financial Statements:**

The Caldwell County Sheriff earned \$3,893 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Van Knight, Caldwell County Judge/Executive  
Honorable Stan Hudson, Caldwell County Sheriff  
Members of the Caldwell County Fiscal Court

Independent Auditor's Report

We have audited the Caldwell County Sheriff's Settlement - 1999 Taxes as of September 12, 2000. This tax settlement is the responsibility of the Caldwell County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Caldwell County Sheriff's taxes charged, credited, and paid as of September 12, 2000, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Van Knight, Caldwell County Judge/Executive  
Honorable Stan Hudson, Caldwell County Sheriff  
Members of the Caldwell County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 11, 2001, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
May 11, 2001



CALDWELL COUNTY  
STAN HUDSON, SHERIFF  
SHERIFF'S SETTLEMENT - 1999 TAXES

As of September 12, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 256,224	\$ 371,888	\$ 883,973	\$ 380,110
Tangible Personal Property	39,752	50,814	119,177	147,113
Intangible Personal Property				33,791
Fire Protection	815			
Franchise Corporation	37,588	48,830	116,188	
Additional Billings	43	61	148	64
Unmined Minerals	1,683	2,373	5,807	2,491
Additional Billings - Unmined mineral	140	197	488	214
Increased Through Erroneous Assessments	180	264	622	267
Penalties	2,423	3,470	8,296	3,980
Adjusted to Sheriff's Receipt	177	274	10	
Gross Chargeable to Sheriff	<u>\$ 339,025</u>	<u>\$ 478,171</u>	<u>\$ 1,134,709</u>	<u>\$ 568,030</u>
<u>Credits</u>				
Discounts	\$ 4,418	\$ 6,288	\$ 14,867	\$ 8,746
Exonerations	4,698	6,632	16,194	7,036
Delinquents:				
Real Estate	4,686	6,688	16,145	6,926
Tangible Personal Property	250	320	751	274
Intangible Personal Property				27
Total Credits	<u>\$ 14,052</u>	<u>\$ 19,928</u>	<u>\$ 47,957</u>	<u>\$ 23,009</u>
Net Tax Yield	\$ 324,973	\$ 458,243	\$ 1,086,752	\$ 545,021
Less: Commissions *	<u>14,099</u>	<u>19,475</u>	<u>32,603</u>	<u>23,451</u>
Net Taxes Due	\$ 310,874	\$ 438,768	\$ 1,054,149	\$ 521,570
Taxes Paid	310,823	438,863	1,053,979	521,495
Refunds (Current and Prior Year)	<u>50</u>	<u>80</u>	<u>173</u>	<u>74</u>
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	<u>\$ 1</u>	<u>\$ (175)</u>	<u>\$ (3)</u>	<u>\$ 1</u>

\* and \*\* See Page 4

CALDWELL COUNTY  
STAN HUDSON, SHERIFF  
SHERIFF'S SETTLEMENT - 1999 TAXES  
As of September 12, 2000  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	1,318,237
3% on	\$	1,086,752

\*\* Special Taxing Districts:

Library District	\$	(1)
Health District		(2)
Extension District		(4)
Hospital District		<u>(168)</u>

(Refunds Due Sheriff)	\$	<u><u>(175)</u></u>
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The accompanying notes are an integral part of the financial statements.

CALDWELL COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

September 12, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of September 12, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

CALDWELL COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
September 12, 2000  
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 22, 1999 through June 30, 2000.

Note 4. Interest Income

The Caldwell County Sheriff earned \$3,893 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





EDWARD B. HATCHETT, JR.  
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Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Caldwell County Sheriff's Settlement - 1999 Taxes as of September 12, 2000. We have issued our report thereon dated May 11, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Caldwell County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
May 11, 2001



